

Message Text

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ACTION EB-07

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TAGS: EALR, EINV, MY
SUBJECT: INVESTMENT - GOVERNMENT PUBLICLY EXPRESSES WILLINGNESS
TO AMEND INDUSTRIAL COORDINATION ACT AND PETROLEUM DEVELOPMENT ACT

1. SUMMARY. BEGIN UNCLASSIFIED. THE DEPUTY PRIME MINISTER, AS
CHAIRMAN OF CABINET COMMITTEE ON INVESTMENT, HAS ANNOUNCED GOVERN-
MENT'S WILLINGNESS TO ANEND THE INDUSTRIAL COORDINGATION ACT
(ICA) AND PETROLEUM DEVELOPMENT ACT (PDA) TO ATTRACT MORE
FOREIGN INVESTMENT. HE ALSO STATES FOREIGN BUSINESSMEN WOULD
BE EXEMPTED FROM REQUIREMENTS OF RUKUN TETANGGA (RY).
END SUMMARY.

2. ON SEPT. 17 GOVERNMENT-INFLUENCED NEW STRAITS TIMES RAN
FRONT PAGE ARTICLE REPORTING DEPUTY PRIME MINISTER MAGATHIR MOHAMED
AS SAYING THAT THE GOVERNMENT IS PREPARED TO AMEND THE ICA AND
PDA TO ATTRACT MORE FOREIGN INVESTORS.

3. DR. MAHATHIR IS FURTHER REPORTED TO HAVE SAID THAT SOME
INVESTORS FELT THAT THE NEW ECONOMIC POLICY WOULD IMPOSE AN
EXTRA BURDEN ON THEM AND THAT THE GOVERNMENT WOULD NOT FORCE
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INDUSTRIES TO SELL SHARES TO MALAYS IF THERE WERE NO BUYERS. DR.

MAHATHIR SAID THAT "THIS IS ONLY A CONDITION FOR EXPANDING AND NEW BUSINESSES AND THE GOVERNMENT IS ALSO VERY FLEXIBLE IN ITS IMPLEMENTATION".

4. ADDRESSING THE QUESTION OF RUKUN TENTANGGA (RT), DR. MAHATHIR SAID THAT SOME FOREIGN INVESTORS HAD COMPLAINED ABOUT PERFORMING RT DUTIES AND THAT FOREIGN CITIZENS WOULD BE EXEMPTED FROM SUCH DUTIES AND "THEY NEED NOT WORRY ANYMORE."

5. DEPUTY PRIME MINISTER FURTHER SAID THAT THE CABINET COMMITTEE ON INVESTMENT WOULD MEET WITH CHAMBERS OF COMMERCE AND OTHER BODIES RELEVANT TO INVESTMENT (READ FEDERATION OF MALAYSIAN MANUFACTURERS) TO GET TO KNOW THEIR PROBLEMS.

6. DEPUTY PRIME MINISTER MAHATHIR ALSO SAID THAT MALAYSIA'S INVESTMENT POLICY WAS MORE LIBERAL THAN THOSE OF SOME ADVANCED COUNTRIES, NOTING THAT "IN JAPAN YOU CAN'T FIND 100 PERCENT FOREIGN-OWNED COMPANIES, BUT THERE ARE SUCH COMPANIES IN MALAYSIA."

7. HE EXPRESSED THE BELIEF THAT MALAYSIA COULD ATTRACT MORE INVESTORS AND THAT INVESTMENTS COULD BE GREATER WITH CABINET COMMITTEE ASSISTING INVESTORS IN OVERCOMING PROBLEMS. END UNCLASSIFIED.

8. BEGIN LIMITED OFFICIAL USE. COMMENT: THE RECENT FORMATION OF THE CABINET COMMITTEE ON INVESTMENT WHICH IS CHAIRED BY THE DEPUTY PRIME MINISTER, AND HIS STATEMENT THAT GOVERNMENT IS PREPARED TO AMEND THE ICA AND PDA, AS WELL AS THE EXEMPTION OF FOREIGN INVESTORS FROM THE REQUIREMENTS OF THE RT, ARE THE LATEST STEPS BY GOVERNMENT IN CONTINUING PROCESS TO RE-ESTABLISH AN ATTRACTIVE INVESTMENT CLIMATE IN MALAYSIA. AMENDMENT OF BROAD AND GENERAL PROVISIONS OF ICA WOULD, OF COURSE, BE VERY HELPFUL IN REASSURING DOMESTIC INVESTORS, ESSENTIALLY CHINESE. SIMILARLY, ON ASSUMPTION THAT DEPUTY PRIME MINISTER IS ACTUALLY REFERRING TO "MANAGEMENT SHARES" ARTICLE OF PDA AMENDMENT, THIS TOO WOULD BE VERY MEANINGFUL STEP IN REESTABLISHMENT OF GOOD INVESTMENT CLIMATE, ESSENTIAL TO OBJECTIVES OF THIRD MALAYSIA PLAN. EXEMPTION FROM RT WILL, OF COURSE, BE WELL RECEIVED BY FOREIGN LIMITED OFFICIAL USE

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INVESTORS WHO HAVE BEEN CONCERNED OVER THIS REQUIREMENT FOR SOMETIME. EXCEPT FOR PETROLEUM SECTOR THE GOM HAS BEEN SAYING THE RIGHT THINGS OF INVESTMENT FOR SOME TIME NOW. THE DEPUTY PRIME MINISTER'S STATEMENTS COULD SIGNAL THAT ACTION ON THESE IMPORTANT ISSUES WILL BE TAKEN SOON, POSSIBLY IN THE FORTHCOMING SESSION OF PARLIAMENT WHICH RECONVENES ON OR ABOUT OCTOBER 25, 1976. UNDERHILL

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